Rating Attractiveness of Sectoral Environment-Performance Indicators

Zuzana Tekulová(✉) and Marián Králik

Institute of Manufacturing Systems, Environmental Technology and Quality Management, Slovak University of Technology, Námestie Slobody 17, 81243 Bratislava, Slovak Republic
{zuzana.tekulova,marian.kralik}@stuba.sk

Abstract. The paper is focused on managerial tool - benchmarking, explains its basic mission as the process of comparing one's business processes and performance metrics to industry bests or best practices from other industries. Dimensions typically measured are quality, time and cost. In the process of best practice benchmarking, management identifies the best firms in their industry, or in another industry where similar processes exist, and compares the results and processes of those studied to one's own results and processes. In this way, they learn how well the targets perform and, more importantly, the business processes that explain why these firms are successful. Article defines assess performance indicators of production processes in relation to attractiveness industry, their meaning and mission. The practical part is focused on the evaluation of selected indicators of sectoral environment in manufacturing in subclassifications of object manufacturing activities called Manufacture of other machine. This work was supported by project VEGA 1/1056/12.

Keywords: Business · Rating attractiveness of sectoral environment · Benchmarking · Performance indicators of production processes

1 Introduction

In today's dynamic business world companies has a very difficult position. Market calls for maximum performance, optimal adaptation, as well as prospective prospects. Company's performance is becoming a very hot topic today. If companies want to achieve top position and maintain a competitive advantage, they need to set such control system that can ensure controlled use of their resources towards achieving the vision.

In the opening of business is one of the basic strategic decisions the decision of business sphere - in selected sectors of business. About business in Slovakia has been written many considerations, but as is the practice, which industry is successful - or less, and possibly which industry is worth to join with the intention of business plan? These considerations are supported by calculation of indicators attractiveness of industry mainly to highlight the profitability and overall profitability either deposited funds and other assets. Of course when deciding about joining the business play a role other attributes as the opportunity - or the ability to have the know-how and be competitive in this industry.

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The predisposition to business sectors closely related to the mobility and concentration of business in areas with developed infrastructure. This creates the potential pressure on the area of development, mostly concentrated with relation to one place in the developed city. Urban transport plays a key role in the creation of maintainable European cities. The key to improvement is coordinated and targeted planning, say European experts in the field of mobility. It is important that cities create long-term objectives of their transport systems.

2 Benchmarking Performance Indicators of Production Processes

Competitiveness is the core of the success or failure of a business. Competition is one of the key indicators of performance. As reported by H. Sedláčková, "competition has gained global nature, competitive rivalry has higher intensity." Reference [4] In view of the constantly changing business environment conditions a new concept of competition also requires new approaches.

To ensure the quality of all business processes is necessary to apply a range of appropriate methods and tools. Some methods are applicable to the identification and transformation of customer requirements, other to the quality of newly developed products, a large range of methods are formed by methods for securing and managing implementation processes and so on. In general, each process in the company may use a variety of methods, tools and techniques of quality. Quality methods widely used existing methods and tools used in other management disciplines. To ensure the continuous analysis of the sectoral environment in the competitive environment, it is appropriate to use the method of quality – benchmarking.

Benchmarking is one of the analytic-synthetic methods of quality management. The concept of benchmarking is derived from the English word benchmark which in translation means levelling brand to which the measurements relate. Usually the term is used in geodesy. In the literature we can meet with multiple definitions of benchmarking, which we approaching it from different perspectives. The basic principle of benchmarking aptly characterizes the definition: „Benchmarking is a systematic and continuous process of comparison and measurement products, services, processes and methods of organizations with those who have been recognized as suitable for this measurement (Model competitors) in order to define targets to improve its own activities.

Based on the above definitions, we can say that benchmarking is a continuous process, which emphasizes the need to integrate the observed results and findings. Basis Value of benchmarking is that it is the evaluation comparison which aims at enhancement. Evaluation is the backbone of competitive benchmarking, which must include:

- knowledge of the quality level of the object,
- solution to improve the quality of the object.

In our case it is not a common benchmarking of the performance of one organization with others in the industry. This method was used in evaluating of the attractiveness of

a sector by use benchmarking of the performance of manufacturing processes represented by existing businesses subjects. Overall, we were interested in the nature of the manufacturing sector due to their overall share of the added value. As can be seen from the table, the most appropriate sector of economic activity from this perspective appears Manufacturing sector, the indicators are specified in detail in engineering production - production area of other machines.

Regional gross value added by economic activities [5]

Mill EUR, at current prices

Year	*Gross value added in total*	On which in:								
		Industry in total	*Manufacturing*	*Construction*	*Trade, transport, accom., food serv.*	*Information, communication*	*Financial, insurance activities*	*Real estate activities*	*Profession., techn. activ., administr.*	*Public admin., education, health*
2007	**55387**	**16592**	**12802**	**4 682**	**12220**	**2291**	**1953**	**3317**	**3666**	**6862**
2008	**60638**	**17462**	**13602**	**6 070**	**13599**	**2447**	**2000**	**3635**	**4300**	**7311**
2009	**57075**	**14005**	**10174**	**5 654**	**12570**	**2721**	**2195**	**3761**	**4342**	**8089**
2010	**59916**	**15991**	**12561**	**5 418**	**13109**	**2728**	**2130**	**3919**	**4551**	**8482**
2011	**62396**	**16979**	**13435**	**5 576**	**13301**	**2804**	**2409**	**4202**	**4569**	**8351**

It follows that benchmarking is a tool for improving internal processes and is an active part of quality management.

As can be seen from the table above, the choice of indicators is broad, it is logical that in practice, the used indicators are a combination of universal and special characteristics. To select the most appropriate indicators must be met not condition of their abundance, but the quality and relevance ability of indicators. Literature recommends the following procedure:

1. Precisely define the process or product which performance properties would we monitor and measure.
2. Brainstorming applied for the selection of performance measuring indicators.
3. Selection of the most appropriate indicators (maximum information value ability about the performance, without increasing amount of work on their application).
4. Proposal of mathematical relations for the calculation of indicators and their interdependencies.
5. Determining the sources of information inputs.

For comparison, we have defined processes that characterize the performance of the sector, particularly earnings, revenue, size of capital, the total amount of assets. In selecting these attributes we watched availability of resources that are generally available from the accounts and the obligation to publish the results in individual subjects. For practical evaluation of selected environmental indicators of sectoral industrial production

through benchmarking methods we selected indicators of production processes, the evaluation of which we used accounts for 2011 and selected 543 subjects whose main or predominant activity is focused on retaliation Manufacture of other machine. From 543 selected entities we acquire information from the financial statements. We evaluated the profit and loss account and balance sheet accounts cover a period of 2011. Results were obtained from the web site or directly from the company's rating.

Overall we valorize 543 of the subject from total of 13.090 subjects in the manufacturing sector, which is 3.3% of the total. Unfortunately the results for individual SK NACE and thus sector of Manufacture of other parts of mechanical engineering is not included in the statistics. We therefore based on analysis publications Middle financial indicators in Slovakia in 2011 where for this sector recorded 570 subjects together, so our selection sample represents 95%, which is relevant sample for the interpretation of compared benchmarking.

Results indicators were compared with the values for the total manufacturing sector, disclosed in Middle values of the financial indicators of economic activities in Slovakia in 2011 as representative industry. Purpose was drawn to the specifics of mechanical engineering, and especially in its overall attractiveness or using market interest and business opportunities throughout whole manufacturing.

Between selected indicators were included mainly profitability indicators that characterize the recovery of capital invested in the business, respectively the effectiveness of the company. To assess the company's capital expressed usable profit after tax is a together Variable return on equity. To express the overall efficiency of the overall capital regardless of the source measured pre-tax profits is a Variable return on assets. Assess the effectiveness of the transformation process unladen other influenceable factors represents indicator operational profitability of sales - as a measure of operating income in euro sales. Ability to form higher value production of their performance against the purchased inputs forms indicator Share of value added in sales. To express the overall effectiveness of the company expressed as a measure of earnings before taxes, interest expense and depreciation sheltered proceeds indicator expresses the Share of EBITDA in sales.

Selected indicators were compared with the average for the manufacturing sector. Calculated indicators say on the performance of sectoral environment. Calculated results are expressed in the following table:

Indicator	Average indicator industry of Manufacture of other machine	Average indicator industry of manufacturing [6]
Return on equity	6,28	1,69
Return on assets	3,12	0,55
Operating return on sales	3,20	1,57
Share of value added in sales	26,99	20,46
EBITDA share in sales	9,56	4,58

Source: own calculations, [6]

Indicator Return on equity talks about the return on the own resources invested into the business in the conversion of net profit. On average the result is 6.28% which is 4.59% higher than the profitability throughout industrial production. In comparison with other possible alternative business - eg. use of funds for such investment ag. deposits to term deposits or purchase of securities, we can characterize the result as satisfactory given the current interest rate yield in fixing five years ranging from 2.5% to 3%. This implies the result in favour of the business where the percentage recovery is on average 3% higher than the non-business activities. The average value of return on equity for the business is a total of 0.16%, among the most profitable industry belongs the rated industry.

Return on assets indicator tells the evaluation of the general assets contributed to the company, regardless of its origin or source of coverage. From this perspective represents recovery of funds invested in the business, as well as evaluating the overall economic activity of the company. Compared to the average for the sector is the result of 2.57% higher. Also in this sense we can say that the overall attractiveness of the sector of mechanical engineering: Manufacture of other machine is attractive from the perspective of business.

Operating return on sales indicator shows the profitability of the main business of the company, therefore how much effect company can produce 1 € sales, the evaluation result is an average indicator of industry Manufacture of other machinery operating profit of € 0.32 per euro of revenue, compared with average indicator in manufacturing by 50% higher. Height 32% of the profit per one euro in sales compared with the previous analysis is supported argument attraction to business in that sector.

Indicator of added value share in sales is the ability of company to establish a value on purchased inputs precisely this figure is a significant indicator of GDP in developing and determining the significance of countries in the creation of value. This figure thus says how much added effect is created by the euro from sales, the calculation of the indicator is 26.99%. This figure is among the highest in all production areas and suggests an attractive environment. The aim is to promote the interest of the state GDP growth and thus the sector where the added value of most forms. This indicator talks about the future of the industry in favour of his support.

Indicator Share of EBITDA in sales as a measure of profit before tax, interest and depreciation cost in euro of sales, talks about the effectiveness of profit, but also the ability to cover the payment ability of the company and the costs resulting from depreciation. This indicator is compared to the average indicator in manufacturing increased by 50% and also talks about paying ability to meet interest and amortization of fixed costs. Calculated indicator considering the average values of individual sectors is satisfactory and argues in favour of the company in the reporting sector.

3 Conclusion

How is it then with the attractiveness of engineering production, output may be referred to the analyzed indicators characterize the attractiveness of the environment? In defining the attractiveness of the environment come from other factors, mainly from the growth potential of the sector, industry prospects, stability and variability of

competitive forces, uncertainty or risk of future development of the sector. The given data are strong explanatory power of earnings and profitability, which when considering entering into a business has an important role.

When assessing the attractiveness of the environment are routines and methods, however, the emphasis on the use of modern approaches to the management of the company across all management structures as a condition for a well-functioning companies and asset that gives the assumptions for the future of continuous ongoing development and improvement of all management and executive activities of the company. Among the most effective methods (although in the current business practice in Slovakia implemented a few) seems to be the method of benchmarking. Provides models towards excellence. Its role is to set goals so that the organization could start improving a realistic picture of improvement and to understand the changes that are necessary for improving not only on internal evaluations, but also in the context of societal conditions in which it carries out business.

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